LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6657 **NOTE PREPARED:** Jan 3, 2013
BILL NUMBER: SB 275 **BILL AMENDED:**

SUBJECT: Property tax installment payments.

FIRST AUTHOR: Sen. Miller Patricia **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: **GENERAL**
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill allows any person who does not pay property taxes through an escrow account maintained by the person's mortgagee to pay the person's property taxes on a monthly payment plan. It provides that the county option monthly payment plan provisions in current law for payment of property tax expire February 1, 2014. It provides that the county option monthly payment provisions in current law for payment of property tax owed in connection with provisional property tax statements expire January 1, 2014.

Effective Date: July 1, 2013.

Explanation of State Expenditures: Under the bill, the Department of Local Government Finance (DLGF) has to prescribe two forms containing information on the monthly payment plan. The department should be able to complete this task within existing resources.

The first form explains the monthly payment plan, the penalties that could be incurred, the reconciliation procedures to be used at the end of the payment period, and how the taxpayer may stop using the monthly payment plan. It also has a suggested monthly deduction.

The second form authorizes the financial institution to deduct the monthly payment from the taxpayers's account, and the day of the month the payment would be deducted. This form would also be used to terminate an existing monthly payment plan of the taxpayer.

Explanation of State Revenues:

Explanation of Local Expenditures: *Summary:* The annual statewide cost of mailing the forms required by this bill to each eligible taxpayer would be a maximum of approximately $416,000 (based on $1 per mailing and processing costs and 4.1 million property tax payers). The cost would be reduced by taxpayers who currently using escrow payments through a mortgagee, and those deemed ineligible by the auditor.

Initially, counties would also incur a one-time cost having the forms available to taxpayers who request them.

Currently, only about five counties have an official monthly payment plan in place (Allen, Howard, Marion, Wayne and Whitley). The remaining counties would incur the administrative costs of establishing a plan with a financial institution. For example, one county treasurer, whose county currently does not have a monthly plan, indicated that charge would be $10,500 for the first year, $11,900 for the second year and a reduced amount in subsequent years. In the first year the financial institution would bill at a rate of $0.15 per parcel based on approximately 70,000 tax bills; in the second year the rate would be $0.17 per parcel; in the third year, the bill would be based on those taking part in the program. Many counties accept partial payments but it appears to be on a case by case basis. Some counties have formal arrangements with taxpayers to make partial payments.

Additional Information

Under current law, a county can choose to adopt an ordinance which permits a taxpayer to pay property taxes (including provisional tax payments and tax payments due under a reconciling statement) by automatic monthly deductions from an account of the taxpayer held by a financial institution, or some other monthly installment plan.

Under this bill, for property taxes first due and payable in 2014 and after, the option of having of having a monthly installment plan would be rescinded, and instead each county would be required to have a monthly installment plan in place. The taxpayer may elect to use the monthly option but is not required to do so.

Under the bill, after November 2013, all taxpayers who do not pay their property taxes via an escrow account would be eligible to participate in the monthly installment plan. If the taxpayer is already in monthly payment plan the bill would terminate this agreement. To participate the taxpayer would have to submit a form (prescribed by the DLGF) to the county treasurer.

Each year, starting in 2014, the county treasurer would have to prepare and mail forms prescribed by the DLGF to each county taxpayer who either is currently paying taxes on a monthly basis or who is eligible to do so. By September 2013, the county is also required to have forms available to a county taxpayer upon the taxpayer's request.

Explanation of Local Revenues: If more taxpayers elect to make monthly payments, the counties will receive revenue monthly rather than payments twice a year. As a result, it may need to borrow less funds for its operational use, thereby lowering its interest costs. The amount of savings would depend on the amount of monthly payments made by taxpayers.

State Agencies Affected: DLGF

Local Agencies Affected: County treasurers

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